

**REPORT OF THE AUDIT OF THE  
CASEY COUNTY  
SHERIFF'S SETTLEMENT - 2004 TAXES**

**April 9, 2005**



**CRIT LUALLEN  
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**EXECUTIVE SUMMARY**

**AUDIT EXAMINATION OF THE  
CASEY COUNTY  
SHERIFF'S SETTLEMENT - 2004 TAXES**

**April 9, 2005**

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2004 Taxes for Casey County Sheriff as of April 9, 2005. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

The Sheriff collected taxes of \$3,046,892 for the districts for 2004 taxes, retaining commissions of \$126,158 to operate the Sheriff's office. The Sheriff distributed taxes of \$2,920,941 to the districts for 2004 Taxes. Refunds of \$825 are due to the Sheriff from the taxing districts.

**Report Comments:**

- The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits
- The Sheriff's Office Lacks Adequate Segregation Of Duties

**Deposits:**

The Sheriff's deposits were not insured and collateralized by bank securities or bonds.



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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Ronald Wright, Casey County Judge/Executive  
Honorable Jerry Coffman, Casey County Sheriff  
Members of the Casey County Fiscal Court

Independent Auditor's Report

We have audited the Casey County Sheriff's Settlement - 2004 Taxes as of April 9, 2005. This tax settlement is the responsibility of the Casey County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Casey County Sheriff's taxes charged, credited, and paid as of April 9, 2005, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated February 3, 2006, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Ronald Wright, Casey County Judge/Executive  
Honorable Jerry Coffman, Casey County Sheriff  
Members of the Casey County Fiscal Court

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits
- The Sheriff's Office Lacks Adequate Segregation Of Duties

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
February 3, 2006



CASEY COUNTY  
JERRY COFFMAN, SHERIFF  
SHERIFF'S SETTLEMENT - 2004 TAXES

April 9, 2005

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 232,656	\$ 632,961	\$ 1,245,394	\$ 448,205
Tangible Personal Property	10,264	30,339	55,999	51,064
Intangible Personal Property				51,577
Fire Protection	4,454			
Franchise Corporation	42,471	122,502	230,518	
Oil and Gas Property Taxes	9	16	50	18
Limestone, Sand, and Mineral Reserves	72	127	386	139
Penalties	2,157	5,808	11,416	4,150
Adjusted to Sheriff's Receipt		7		6
Gross Chargeable to Sheriff	<u>\$ 292,083</u>	<u>\$ 791,760</u>	<u>\$ 1,543,763</u>	<u>\$ 555,159</u>
<u>Credits</u>				
Exonerations	\$ 988	\$ 2,687	\$ 5,287	\$ 1,902
Discounts	3,664	9,818	19,253	8,540
Delinquents:				
Real Estate	4,209	11,266	22,166	7,977
Tangible Personal Property	44	130	240	370
Intangible Personal Property				509
Uncollected Franchise	<u>3,942</u>	<u>11,428</u>	<u>21,453</u>	
Total Credits	<u>\$ 12,847</u>	<u>\$ 35,329</u>	<u>\$ 68,399</u>	<u>\$ 19,298</u>
Taxes Collected	\$ 279,236	\$ 756,431	\$ 1,475,364	\$ 535,861
Less: Commissions *	<u>12,155</u>	<u>31,926</u>	<u>59,015</u>	<u>23,062</u>
Taxes Due	\$ 267,081	\$ 724,505	\$ 1,416,349	\$ 512,799
Taxes Paid	267,107	724,575	1,416,410	512,849
Refunds (Current and Prior Year)	<u>56</u>	<u>153</u>	<u>301</u>	<u>108</u>
Due Districts		**		
as of Completion of Fieldwork	<u>\$ (82)</u>	<u>\$ (223)</u>	<u>\$ (362)</u>	<u>\$ (158)</u>

\* and \*\*, see next page.

The accompanying notes are an integral part of this financial statement.

CASEY COUNTY  
JERRY COFFMAN, SHERIFF  
SHERIFF'S SETTLEMENT - 2004 TAXES  
April 9, 2005  
(Continued)

\* Commissions:

10% on	\$	10,000
4.25% on		1,472,551
4% on		1,564,341

\*\* Special Taxing Districts:

Library District	\$	60
Health District		24
Extension District		17
Soil Conservation District		17
Ambulance District		27
Hospital District		78

Due Districts	\$	<u>223</u>
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CASEY COUNTY  
NOTES TO FINANCIAL STATEMENT

April 9, 2005

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue that are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue, which are recognized when there is proper authorization. Taxes paid are uses of revenue, which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of December 9, 2004, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$37,774 of public funds uninsured and unsecured.

CASEY COUNTY  
NOTES TO FINANCIAL STATEMENT  
April 9, 2005  
(Continued)

Note 3. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2004. Property taxes were billed to finance governmental services for the year ended June 30, 2005. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 28, 2004 through April 9, 2005.

Note 4. Interest Income

The Casey County Sheriff earned \$1,851 as interest income on 2004 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office. As of February 3, 2006, the Sheriff was due a refund \$398 in interest overpaid to the school district and owed \$991 in interest to his fee account.

Note 5. Sheriff's 10% Add-On Fee

The Casey County Sheriff collected \$18,046 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office. As of February 3, 2006, the Sheriff owes the total amount collected in 10% add-on fees to his fee account.

Note 6. Advertising Costs And Fees

The Casey County Sheriff collected \$960 of advertising costs and \$3,560 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff should distribute the advertising costs to the fee account as required by statute, and the advertising fees will be used to operate the Sheriff's office. As of February 3, 2006, the Sheriff owed the total amount collected in advertising costs and advertising fees to his fee account.

## COMMENTS AND RECOMMENDATIONS



CASEY COUNTY  
JERRY COFFMAN, SHERIFF  
COMMENTS AND RECOMMENDATIONS

As of April 9, 2005

STATE LAWS AND REGULATIONS:

The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

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On December 9, 2004, \$37,774 of the Sheriff's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the Sheriff require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

*Sheriff's Response:*

*Will advise bank about this.*

INTERNAL CONTROL - REPORTABLE CONDITIONS:

The Sheriff's Office Lacks Adequate Segregation Of Duties

The Sheriff's office has a lack of segregation of duties over receipts and expenditures. Due to the entity's diversity of official operations, small size, and budget restrictions, the official has limited options for establishing an adequate segregation of duties. We recommend that the following compensating controls be implemented to help offset this internal control weakness:

- The Sheriff should periodically compare daily bank deposits with the daily collection reports and then compare the daily reports to the receipts ledger. Any differences should be reconciled on paper and kept for records. The Sheriff could document his comparisons by initialing the bank deposit, daily reports, and receipts ledger.
- The Sheriff should compare the monthly tax reports to receipts and disbursements ledger. Any differences should be reconciled on paper and kept for records. This could be documented by initialing the monthly tax reports, receipts ledger, and disbursements ledger.
- The Sheriff should recount and deposit the cash periodically and on a surprise basis. This could be documented by initialing the bank deposit slip.
- The Sheriff should deliver tax distribution checks and monthly tax reports to taxing districts. This could be documented by receiving a signed receipt documenting delivery.
- The Sheriff should have dual signatures on all disbursement checks.

*Sheriff's Response:*

*None*

CASEY COUNTY  
JERRY COFFMAN, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
As of April 9, 2005  
(Continued)

INTERNAL CONTROL - MATERIAL WEAKNESSES:

None.

PRIOR YEAR:

Lacks Adequate Segregation Of Duties

This comment has been repeated in the current year audit.



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Ronald Wright, Casey County Judge/Executive  
Honorable Jerry Coffman, Casey County Sheriff  
Members of the Casey County Fiscal Court

Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Casey County Sheriff's Settlement - 2004 Taxes as of April 9, 2005, and have issued our report thereon dated February 3, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Casey County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying comments and recommendations.

- The Sheriff's Office Lacks Adequate Segregation Of Duties

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Casey County Sheriff's Settlement - 2004 Taxes as of April 9, 2005 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations.

- The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
February 3, 2006

